

**Optimizing Opportunities: A Satellite Report**  
(As presented by Donald Abelson at the September 9<sup>th</sup> Commission meeting)

**Slide 1 – Satellite Presentation**

Good morning, Mr. Chairman and Commissioners.

**Slide 2: Overview**

It is my pleasure to share with you an updated satellite report.

My intention is leave you with four points:

**One:** Overall, the satellite industry continues to show growth and provide critical services;

**Two:** The industry faces a number of challenges that vary from service to service;

**Three:** The industry is re-examining the market and taking action to better serve consumers and shareholders; and

**Four:** The FCC continues to modernize to foster future innovation.

**Slide 3: Worldwide Industry Revenue (1996-2003)**

As you can see from this graph, the global satellite industry continues to grow despite the recent general economic downturn and slowdown in the entire telecommunications industry.

**Slide 4: Covering the Globe**

Satellites are able to serve consumers in virtually every country. The fact is that there are over 400 commercial satellites covering the globe today. Of this number, approximately 58% are U.S. licensees and 59% are serving U.S. consumers.

### **Slide 5: Satellite Industry: Four Major Components**

The satellite industry can be broken out into four major components:

**First:** Building satellites for mobile, fixed and broadcast services; so-called MSS, FSS, and BSS systems;

**Second:** Launching satellites;

**Third:** Serving consumers, and

**Fourth:** Providing ground equipment.

The International Bureau focuses its energy on the last two components.

### **Slide 6: Global Revenue by Industry Sector**

This pie chart shows the four satellite industry components by revenue.

The two largest components, serving consumers and providing ground equipment, showed 12 and 4 percent growth, respectively, in 2003. However, the other components shrank.

Zooming in on the consumer service component of the industry, providers of BSS, MSS and FSS face a variety of challenges.

### **Slide 7: Satellite TV and Radio (BSS Direct to the American Consumer)**

In the United States, the two most popular consumer services provided directly by satellites are television and radio.

### **Slide 8: U.S. DBS and DARS – Subscriber Growth**

- Subscribers to satellite television have doubled from 1999 to 2003.
- Over two and one-half million subscribers now enjoy the benefits of nationwide satellite radio. In fact, projections indicate that there will be 4.1 million subscribers by the end of 2004.

Looking ahead, the challenge to BSS providers is to meet growing consumer demand.

### **Slide 9: Mobile Satellite Services**

In MSS, global satellite phone use is growing.

### **Slide 10: Mobile Satellite Phone Use is Growing**

According to industry estimates, worldwide subscribers to satellite phones reached 885,000 in 2004, a 27% increase from 2003.

The challenge for MSS providers lies in the development of next generation systems to meet future customer requirements.

### **Slide 11: Fixed Satellite Service – The “Silent Partner”**

FSS has long been the most profitable and core service provider for the industry. In fact, fixed satellite services often make other communications technologies possible, operating as a “silent partner” in the overall communication pathway.

### **Slide 12: Challenge to FSS Service Providers: Global Bandwidth Supply and Demand**

You can see that satellite service providers face a global market challenge related to infrastructure build out. As this chart shows, while both global supply and demand for FSS bandwidth have steadily grown, they are growing at different rates. Specifically:

Between 1995 and 2003, globally:

- the supply of bandwidth grew at nearly 6%
- while demand grew just over 3%
- demand for voice capacity declined, and
- demand for data and video services grew

In a series of informal roundtables, the International Bureau heard from leading providers that they are responding to the challenge by taking stock of existing assets and exploring opportunities to serve new customers and add value to existing customers.

### **Slide 13: FSS Core Customers**

In the United States, broadcast, internet and cable companies continue to be the core FSS customer base.

### **Slide 14: Relative Use of FSS Transponder Capacity 2004**

In fact, the largest users of satellite capacity are the broadcast companies. Whether for internal distribution of programming to affiliates or to the cable head-end.

Opportunities to serve new customers also exist. For example, future use of Ka-band systems will offer internet over satellite by early next year.

### **Slide 15: US Government as a Commercial Satellite Customer**

Government use of commercial satellite services to protect Americans in times of crisis remains strong.

Satellite services play a critical role for police, first responders and the media in emergency situations.

They are also a primary source of weather monitoring, communications during emergencies, like the recent hurricanes, and post-crisis rebuilding efforts.

Opportunities exist here for FSS providers, as well as for providers of MSS and BSS services.

### **Slide 16: Satellites and Rural Services**

In addition, opportunities exist for FSS and other providers to further serve consumers in rural America, including teachers, doctors, farmers, ranchers and public safety officials.

## **Slide 17: Optimizing Opportunities: Industry Observations**

Looking at the industry as a whole, the International Bureau has seen four patterns emerge:

First, There are fewer, but stronger competitors.

Second, There is a new investment paradigm; more applications filed by private equity firms to purchase satellite assets. For example, PanAmSat, Intelsat, and New Skies.

Third, Satellite operators are more efficiently managing their fleets. And finally,

Fourth, Consumers of satellite services are inspiring operators to use spectrum innovatively.

## **Slide 18 : The Role of the FCC**

The FCC's actions have facilitated innovation and flexibility in the U.S. satellite industry. In the public interest, in the last year, we have implemented flexible policies with respect to fleet management, adopted efficient licensing procedures, and provided global representation.

## **Slide 19: Licensing Disposal Speed**

Last year, the Commission adopted a new regime for space station licensing. I am proud to say that, as this chart demonstrates, we dramatically reduced the time it takes us to act on applications.

Our new procedures have been effective in moving forward serious applications and eliminating the more speculative ones.

## **Slide 20: Conclusion**

The International Bureau believes that the quicker it issues licenses, the more easily investment capital can be secured, the sooner satellites can be built and launched, and the faster American consumers can be served.

While only a small segment in the telecommunications industry, the satellite industry nonetheless plays a large role in rolling out services in the United States and around the globe. And I can conclude this second Satellite Report by saying that the Commission's new processes provide a clear path to innovate and deploy new services.

Thank you for the opportunity to share these observations. I am happy to take questions.